

**BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH**

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<b>In The Matter Of The Application</b>	<b>:</b>	<b>Docket No. 04-035-30</b>
<b>Of PacifiCorp For a Certificate of</b>	<b>:</b>	<b>Direct Testimony Of</b>
<b>Convenience and Necessity</b>	<b>:</b>	<b>Cheryl Murray</b>
<b>Authorizing Construction of the</b>	<b>:</b>	<b>For the Committee of</b>
<b>Lake Side Power Project</b>	<b>:</b>	<b>Consumer Services</b>

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**24 September 2004**

1 **Q. Please state your name, business address and current position.**

2 A. My name is Cheryl Murray. My business address is 160 East 300 South  
3 Salt Lake City, Utah. I am a utility analyst for the Committee of Consumer  
4 Services (Committee).

5

6 **Q. Have you previously presented testimony before this Commission?**

7 A. Yes, I have. I have testified regarding PacifiCorp's (Company) requests  
8 for certificates of convenience and necessity for the Gadsby Plant Addition  
9 (Docket No. 02-035-34) and the Currant Creek Power Project (Docket No.  
10 03-035-39), and in PacifiCorp's request for a tariff rider for Demand Side  
11 Management (Docket No. 02-035-T12). I have also testified in Questar  
12 Gas Company's application for an increase in rates and charges (Docket  
13 No. 02-057-02).

14

15 **Q. What is the purpose of your testimony?**

16 A. The purpose of my testimony is to address PacifiCorp's projected  
17 resource-load imbalance and to present the Committee's position  
18 regarding the procedures used by PacifiCorp in the Request for Proposal  
19 (RFP) process and evaluation in RFP 2003A "Base Load" bid category  
20 that resulted in the project which is the subject of this certification  
21 proceeding.

22

23 **Q. Has the Company demonstrated that it is capacity deficient in 2007?**

24 A. Yes. The Company's 2003 IRP Report shows that even with the addition  
25 of the Currant Creek Power Project and the power purchase agreements  
26 (PPA) that Mr. Tallman references on page 4 of his direct testimony  
27 projected loads will exceed resource capacity in 2007. Although the  
28 Company's load forecast updates presented since that IRP suggest that  
29 the imbalance is a moving target, the information provided by the  
30 Company in the current IRP public input meetings still indicates that there

1 is a deficiency in the 2007 time period. The Committee believes that  
2 PacifiCorp's 2003 IRP demonstrates the need for base-load capacity.<sup>1</sup>  
3

4 **Q. What position has the Committee taken regarding PacifiCorp's**  
5 **resource deficiency in the IRP process?**

6 A. The Committee has supported the acquisition of cost-effective long-term  
7 resources. In its 31 March 2003 comments regarding the Company's  
8 Integrated Resource Plan (IRP) the Committee stated, "Most significantly,  
9 it appears to represent a renewed commitment on the part of PacifiCorp  
10 management to again acquire long-term resources to serve its regulated  
11 customers"<sup>2</sup> From the standpoint of customers, we believe it is critical that  
12 those resources be the best (low cost, low risk) resource alternatives for  
13 Utah ratepayers.  
14

15 **Q. In Docket No. 03-035-29, the Currant Creek proceeding, the**  
16 **Committee expressed concerns with the RFP – Bid Evaluation**  
17 **process and the Company's modeling of resource alternatives. Do**  
18 **those concerns exist in this proceeding?**

19 A. Yes. The Committee's concerns with RFP 2003A and the bid evaluation  
20 process that resulted in the selection of the Currant Creek Project were in  
21 the general areas of: 1) disclosure; 2) modeling; and 3) the independent  
22 evaluator. Since a similar RFP and selection process was used in this  
23 instance those concerns remain.  
24

25 However, there are some distinct differences between the RFP processes  
26 leading to the selection of Currant Creek and Lake Side, that mitigate our  
27 concerns in this Lake Side proceeding.

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<sup>1</sup> Base load capacity could have been acquired through a variety of options including building, leasing, or PPAs.

<sup>2</sup> Page 2, 31 March 2003, Recommendation of the Committee of Consumer Services to the Utah PSC, Regarding Acknowledgment of PacifiCorp's Integrated Resource Plan 2003; Docket No. 03-2035-01.

1   **Q.     What are some of those differences?**

2   A.     The main difference is that the RFP that resulted in Currant Creek asked  
3           for a peaker resource, yet PacifiCorp's own Next Best Alternative (NBA) is  
4           planned to be operated as a base load resource. This was a concern to  
5           us because some parties may not have provided a comparable bid  
6           because they thought they had to bid a peaking resource. After the initial  
7           bid documents were distributed, the Company advised potential bidders  
8           that there was a need for more capacity than the original RFP indicated. It  
9           is not clear what effect this had on bidders' decisions as to the type of  
10          resource, amount of capacity, or the price to bid to PacifiCorp. By  
11          comparison, the base load Lake Side project resulted from an RFP that  
12          clearly represented that there was a need for a base load plant, and  
13          therefore, bidders likely had a clearer understanding of what type of  
14          resource PacifiCorp preferred.

15

16   **Q.     Is the Committee aware of any other significant differences?**

17   A.     Yes, while there was much debate over the fact that the Company's own  
18          NBA was evaluated over a different life than bidders' projects in the  
19          Currant Creek proceeding, the final short-listed bids in this docket were  
20          evaluated on a consistent 35-year plant life, which made the economic  
21          comparison of alternatives more equitable and transparent.

22

23   **Q.     In the Currant Creek Docket the Committee made a number of**  
24           **preliminary recommendations to improve future RFP and Bid**  
25           **evaluation processes. Have those concerns been addressed?**

26   A.     In Docket No. 03-035-03, Open Bidding Requirements, interested parties  
27          are meeting to examine the RFP and Bid evaluation concerns identified by  
28          the Committee and other parties in the Currant Creek Docket. The intent  
29          is to craft procedures to ameliorate those concerns.

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31

1   **Q.     Are the parties coming to resolution on the issues?**

2   A.     It does appear that there is a significant degree of agreement on a number  
3           of broad issues.   However, new procedures have not yet been  
4           implemented.

5

6   **Q.     Has the Committee made a determination of the reasonableness of**  
7           **PacifiCorp's selection of the Lake Side Project?**

8   A.     In the Currant Creek proceeding the Committee testified as to its concerns  
9           with various aspects of the selection of that project.   The Commission's  
10          Order did not specifically address those concerns.   In this proceeding the  
11          Committee elected not to undertake a detailed economic analysis  
12          comparing Lake Side to other resource alternatives.   It is our intent to fully  
13          investigate the prudence of the Company's selection of Lake Side when  
14          cost recovery from rate payers is requested in a future general rate case.

15

16   **Q.     Does this conclude your testimony?**

17   A.     Yes.